

December 20, 2000

UNDER SECRETARY FOR HEALTH'S INFORMATION LETTER
YEAR 2001 NURSE LOCALITY PAY SYSTEM ADJUSTMENTS

1. On November 1, 2000, the President signed into law the Veterans Benefits and Health Care Improvement Act of 2000. The Act requires that nurse pay rates under the Locality Pay System (LPS) be adjusted on the same date and by the same percentage as any nationwide General Schedule (GS) increase. The amount of the next nationwide GS increase is expected to be 2.7 percent and will be effective January 14, 2001. Although facilities are no longer required to conduct a salary survey of the local labor market area in order to effect increases coincident with GS increases, the Department of Veterans Affairs (VA) still has the authority to conduct surveys and give further adjustments as appropriate.
2. The purpose of the LPS is to ensure that rates of basic pay at VA facilities are sufficient to be competitive, on the basis of pay and other employee benefits, with non-VA health-care facilities in the same labor market area for the recruitment and retention of qualified employees. In many instances, a 2.7 percent increase will not maintain competitiveness with the local community. In order to promote competitive pay for recruitment and retention purposes, I encourage facility directors to continue to conduct surveys and grant increases greater than the amount of the GS increase, if warranted, based on available salary survey data.
3. VHA facilities do not have to be experiencing recruitment or retention difficulties in order to adjust nurse pay rates. The primary purpose of the LPS is to give increased authority to facility directors to address salary needs before pay-related staffing problems develop. I urge you to proactively address potential recruitment and retention difficulties by maintaining competitive pay for nurses. Nurses are essential to the delivery of high quality health care to our nation's veterans and every effort must be made to ensure that their salaries are adjusted whenever necessary to achieve competitiveness, as the law intended.
4. Questions concerning the LPS may be directed to the Office of Human Resources Management, Customer Advisory and Consulting Group (051) at (202) 273-9827.

S/ Frances Murphy, M.D. for
Thomas L. Garthwaite, M.D.
Under Secretary for Health

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